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January 11, 1995

William F. Caton  
Secretary  
Federal Communications Commission  
1919 M Street, N.W.  
Washington, D.C. 20554

RECEIVED  
JAN 11 1995  
FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

Re: Notification of Permitted Written Ex Parte  
Presentation in ET Docket No. 93-7

Dear Mr. Caton:

Scientific-Atlanta, Inc., by its attorneys and pursuant to Section 1.1206(a)(1) of the Commission's rules, hereby submits two copies of the attached permitted written ex parte presentation regarding ET Docket No. 93-7.

Today at 1:30 p.m., William Loughrey, Director of Government Affairs of Scientific-Atlanta, and the undersigned met with Alan Stillwell and Robert Bromery of the Office of Engineering and Technology. The discussion related to Scientific-Atlanta's petition for reconsideration and clarification, filed June 15, 1994, and to the attached written material regarding the infrared code freeze.

Kindly direct any questions regarding this matter to the undersigned.

Respectfully submitted,



Peter D. Ross

PDR/lar  
Attachments

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**SCIENTIFIC-ATLANTA: CABLE EQUIPMENT COMPATIBILITY (1/95)**  
(Permitted Written Ex Parte Presentation in ET Docket 93-7)

**Background:**

- Scientific-Atlanta is one of the two leading vendors of set-top converters for the cable television industry, but is not the dominant vendor.
- The FCC adopted a freeze on IR codes used for remote controls and converters in order to foster competition in the remote market.
- The costs of the freeze far outweigh the benefits because the freeze will inflate the price for converters -- striking at the heart of advanced video services -- and other FCC rules adequately protect the continued development of the remote control market.
- "Actual cost" regulation of equipment rates eliminates any artificial incentive to disable or replace codes.

**The Universe of IR Codes is Large:**

- There are dozens of different sets of codes or "families" of codes for converters:
  - Scientific-Atlanta uses three distinct sets of codes;
  - We believe that General Instrument uses five or six different sets of codes;
  - Other manufacturers (e.g., Zenith, Pioneer, Antec/Regal, Panasonic, Tocom, Hamlin, etc.) also use distinct sets of codes.

**The Market Does Not Require a Vendor to Produce Multiple Sets of IR Codes:**

- Although operators typically replace 10-20% of their terminal inventory a year, the IR codes of the terminals are generally not changed because the maker of the "old" and "new" equipment is the same.
- Likewise, rebuilds (which typically involve replacement of 60-85% of the terminals) generally do not entail changed IR codes.
- Therefore, the FCC freeze compels vendors -- in their attempts to get operators to switch vendors -- to incur (and pass on to consumers) new costs to ensure converter compatibility across the universe of IR codes.

The Likely Adverse Effect of Freeze:

- Vendors would respond in one of two ways to the IR code freeze, either of which would result in higher converter prices for consumers who pay "actual cost" for such equipment under the FCC's rate regulations:
  - (1) Attempt to manufacture a "universal converter" that would incorporate the dozens of IR codes deployed in the converter universe.
    - Harm: universal converters would raise the cost of all converters, including licensing fees for each family of codes for every vendor. (Moreover, the uncertainty of the market for such devices might result in stranded investment by consumers, operators and vendors, who initially supported universal converters but later abandoned them).
  - (2) Manufacture numerous models of converters to ensure compatibility with the various codes of installed converters.
    - Harm: lost manufacturing economies -- due to different parts, stocking, inventory and production requirements -- result in higher converter prices to consumers. A reasonable estimate of additional costs is \$5-10 in manufacturing costs per terminal and, for some competitors' converters, \$1 in licensing fees per box.